

Harry Markowitz, The Utility of Wealth      Cowles Comm. Paper, N.S. 57  
JPE, Vol. LX, No. 2, April 1952, pp. 151-158

Markowitz suggests that utility function has following shape, where origin is "present income" (or customary income, excluding recent windfall gains or losses):



*Is there any "overall" shape to Markowitz?*

This implies that inflection point floats along income (or wealth) axis as person's income (wealth) changes (when change is maintained for some time). This explains why people both rich, poor, and of moderate means will both accept fair or unfair  ~~bets for~~  lottery tickets for small amounts, and buy fair or unfair insurance (Friedman-Savage hypothesis implies that rich people would differ from poor in this respect). Based on answers to: Would you rather have 10¢ with certainty for 1/10 chance of \$1? \$10 with certainty or 1/10 chance of \$100? etc. And: rather owe \$1 or take 1/10 chance of owing \$10? etc. (Preston-Baratta would seem to imply that most people would prefer lottery in all these cases).

*see Markowitz notes*

((SUPPOSE INSTEAD THAT UTILITY OF INCOME HAS MANY INFLECTION POINTS, CORRESPONDING TO "LEVELS OF ASPIRATION" OR STATUS LEVELS: THIS WOULD CORRESPOND TO SIEGAL INTERPRETATION OF LEVEL OF ASPIRATION. THIS UTILITY CURVE WOULD BE DEFINED FOR FAIRLY LARGE INCREMENTS OF INCOME. THE "FLOATING" INFLECTION POINT MIGHT APPLY TO "IN THE SMALL", REFLECTING CHANGING STANDARDS OF AMOUNT OF MONEY THAT IS "WORTH SOMETHING" AS INCOME CHANGES: I.E., CURVE WOULD BE LOCALLY CONCAVE UPWARDS FOR "SMALL" RANGE EVEN IN RANGE NEAR ONE ASPIRATION LEVEL